



*Andrew H. Junkin, CFA, CIMA, CAIA
Managing Director and Principal*

July 23, 2008

Ms. Anne Stausboll
Interim Chief Investment Officer
California Public Employees' Retirement System
400 Q Street
Sacramento, CA 95814

Re: Peace Officers Firefighters Supplemental Plan Fund (POFF) Change

Dear Anne,

You requested Wilshire's opinion with respect to the POFF fund change as presented by Staff. This change is necessitated by the creation of the CalPERS Asset Allocation Funds for the Supplemental Income Plans.

As we noted in our May 28, 2008 letter to the Investment Committee, Wilshire believes that the target asset allocations for the various CalPERS Asset Allocation Funds are appropriate for various participants with different levels of risk tolerance. Since the POFF uses a single fund for all participants (i.e., the POFF is not truly participant directed) a moderate level of risk seems most appropriate, balancing some level of expected growth with some stability of principal. Therefore, the POFF has invested in the SSgA Moderate Allocation Fund. Transitioning to the CalPERS Moderate Allocation Fund will maintain the balance between growth and stability for the participants investments.

There are some differences between the two funds. The CalPERS Moderate Allocation Fund is more broadly diversified than the SSgA Moderate Allocation Fund by including TIPS, Stable Value, Commodities and REITs in the portfolio. The fixed income allocation in the CalPERS fund is 33%, down from 40% in the SSgA fund. However, the increased diversification in the portfolio should provide protection during difficult periods in the equity markets. Overall, Wilshire feels that the CalPERS Moderate Allocation Fund offers a more attractive asset allocation for participants.

Conclusion

Wilshire believes that this transition is appropriate given the fund line-up change across the Supplemental Income Plans and that the CalPERS Moderate Allocation Fund will serve participants of the POFF well in the coming years.

Ms. Anne Stausboll
July 23, 2008
Page 2

If you have any questions or comments, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Anne Stausboll". The signature is written in a cursive style with a large, looping initial "A" and a long, sweeping underline.